

**STATE OF MICHIGAN
MICHIGAN DEPARTMENT OF ENERGY, LABOR AND ECONOMIC GROWTH
OFFICE OF FINANCIAL AND INSURANCE REGULATION**

Before the Commissioner of Financial and Insurance Regulation

In the matter of:

Enforcement Case No. 09-7195

BRUCE M. SCHLUSSEL and

**BRALEN, INC. (d/b/a
Gannon Real Estate)
20601 Grand River
Detroit, MI 48219**

Respondents.

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**Issued and entered
this 4th day of July 2009
by Stephen R. Hilker
Chief Deputy Commissioner**

ORDER TO CEASE AND DESIST

The Commissioner of the Office of Financial and Insurance Regulation ("OFIR"), pursuant to his statutory authority and responsibility to administer and enforce the Michigan Uniform Securities Act ("MUSA"), 1964 PA 265, MCL 451.501 *et seq.*, hereby orders **BRUCE M. SCHLUSSEL and BRALEN, INC. (d/b/a GANNON REAL ESTATE)** to immediately **CEASE AND DESIST** from engaging in the offer and sale of securities without first obtaining a registration of said securities. This Order acts to vacate and/or set aside the previous Order issued on July 2, 2009. Respondents are also notified of an opportunity to request a hearing on this matter.

I.

BACKGROUND AND FINDINGS OF FACT

1. Respondent Bralen, Inc., doing business as Gannon Real Estate ("Bralen") is a Michigan corporation incorporated under the laws of this State with its principle place of business located at 20601 Grand River Detroit, MI 48219. Corporation ID Number 064178. Bruce Schlusssel is Bralen Inc.'s sole shareholder and he directly controls the company.

2. Respondent Bruce Schlusell (“Schlusell”) is a Michigan resident currently residing at [REDACTED]
3. Bralen and Schlusell are hereinafter referred to as the Respondents.
4. In May 2009, OFIR staff received information that the Respondents were engaged in the business of offering and selling unregistered, nonexempt securities.
5. Respondents offered and sold instruments in the form of a note, instrument of indebtedness, quasi-contractual and/or investment contract to Michigan residents for the purpose of investment and profit generation.
6. The aforementioned instruments are defined as a security under Section 401(a) of the MUSA, 1964 PA 265, as amended and require registration or exemption.
7. With each investment a person furnished funds in the form of a personal check. In exchange for these funds, Respondents issued a “Promissory Note” (the “Note”) that created an agreement between the Respondents and the investor for a promise to pay the initial invested amount plus 12% interest within six months. The Note also gave the investor a security interest in a piece of real property unidentified by its street address or legal description. The terms of the Note did not delegate any authority to the investors to control or manage the business decisions of the company, nor in selecting, acquiring, improving, marketing and selling the properties. The invested money would be used to acquire and rehabilitate distressed properties for resale.
8. OFIR received information that the Respondents received principle investments ranging from \$4,000 (four-thousand dollars) to \$215,000 (two-hundred and fifteen thousand dollars) from two unidentified Michigan residents.
9. A summary of Investors #1 and #2 investments are as follows:

<u>Check Date</u>	<u>Amount</u>	<u>Check No.</u>	<u>Check Issued To</u>
1/11/2007	\$215,000	530	Bralen, Inc.
1/25/2007	\$40,000	531	Bralen, Inc.
3/15/2007	\$15,000	534	Bralen, Inc.
4/10/2007	\$28,000	535	Bralen, Inc.
4/17/2007	\$4,000	536	Bralen, Inc.
8/23/2007	<u>\$35,000</u>	537	Bralen, Inc.

TOTAL: \$437,000

10. The Respondents did not return to the investors their principle investment or interest as agreed, especially after many demands by the investors to do so.

11. OFIR staff conducted a search to locate records of any securities registration or exemption filing pursuant to the MUSA in the matter of Bralen or Schlusell. No such records were found.

12. Respondents are not authorized to offer or sell securities in the State of Michigan under MUSA.
13. Respondents marketed, offered and sold unregistered, nonexempt securities to Michigan residents in violation of Section 301, MCL 451.701 of the Michigan Uniform Securities Act.

II.

CONCLUSIONS OF LAW

WHEREAS, a security is defined in Section 401(z) of the Act, MCL 451.801(z), to include a note; stock; treasury stock; bond; debenture; evidence of indebtedness; certificate of interest or participation in any profit-sharing agreement; collateral-trust certificate; or subscription; transferable share; investment contract; voting-trust certificate; or certificate of deposit for a security; or, any contractual or quasi contractual arrangement pursuant to which (1) a person furnishes capital, other than services, to an issuer; (2) a portion of that capital is subjected to the risks of the issuer's enterprise; (3) the furnishing of that capital is induced by the representations of an issuer, promoter, or their affiliates which give rise to a reasonable understanding that a valuable tangible benefit will accrue to the person furnishing the capital as a result of the operation of the enterprise; (4) the person furnishing the capital does not intend to be actively involved in the management of the enterprise in a meaningful way; and (5) a promoter or its affiliates anticipate, at the time the capital is furnished, that financial gain may be realized as a result thereof; and,

WHEREAS, Section 301 of the Act, MCL 451.701, makes it unlawful for a person to offer or sell any security in the State of Michigan unless the security is: 1) registered under the

Act, 2) an exempt security or transaction under Section 402 of the Act, or 3) a federally covered security; and,

WHEREAS, Respondents violated Section 301 of the Act where Respondents collectively promoted, offered to sell, and sold securities to Michigan residents.

WHEREAS, Section 802(c) of the Act, MCL 451.802(c), provides that in any proceeding under this act, the burden of proving an exemption or an exception from a definition is upon the person claiming it; and,

WHEREAS, Respondents failed to offer sufficient proof pursuant to Section 802(c) that Respondents were exempted from registration.

WHEREAS, Section 408 of the Act, MCL 451.808, states that whenever it appears to the Administrator (Commissioner of the Office of Financial and Insurance Regulation) that any person has engaged or is about to engage in any Act or practice constituting a violation of any provision of this Act or any rule or order hereunder, it may in its discretion issue a cease and desist order or bring an action in a circuit court to enjoin the Act or practices and to enforce compliance with this Act or any rule or order hereunder; and

WHEREAS, Respondents offered and sold securities, i.e., an investment contract and/or promissory notes to Michigan residents; and

WHEREAS, the investment contracts and/or promissory notes offered by Respondents, meet the definition of a security, as defined and listed in Section 401(z) of the Act, MCL 451.801(z); and

WHEREAS, Section 301 of the Act, MCL 451.701, provides that it is unlawful for any person to offer or sell any security in Michigan unless the security is: registered under the Act,

the security or transaction is exempted under Section 402 of the Act, MCL 451.802, or the security is a federally covered security; and

WHEREAS, the securities offered and sold by Respondents do not meet any of the requirements listed in Section 301 of the Act, MCL 451.701; and

WHEREAS, Respondents therefore offered and sold securities in the State of Michigan in violation of Section 301 of the Act, MCL 451.701; and

WHEREAS, the Administrator finds this Order necessary and appropriate in the public interest, for the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the Act; and

WHEREAS, the Administrator retains the right to pursue further administrative action against Respondents should the Administrator determine that such action is necessary and appropriate in the public interest, for the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the Act; and

WHEREAS, based on the foregoing, OFIR Staff has recommended that the Administrator find that Respondents have engaged in acts and practices that violate Section 301 of the Act, MCL 451.701.

III.

ORDER

IT IS THEREFORE ORDERED, pursuant to Section 408 of the Act, MCL 451.808, and Section 409 of the Act, MCL 451.809, that:

1. Respondents shall immediately **CEASE AND DESIST** from violating Section 301 of the Act, MCL 451.701.

2. Based upon Respondents' violations of the Act and because the Administrator finds that it would be in the public interest, any exemptions under Section 402(a)(1), (6), (7), (8), (9), (10), and 402(b) of the Act, MCL 451.802(a)(1), (6), (7), (8), (9), (10), and 451.802(b) for which Respondents might qualify, are hereby summarily denied or revoked for all purposes provided under Section 408(c) of the Act, MCL 451.808(c), including, but not limited to, Respondents' future right to engage in transactions otherwise exempt under Section 402(b) of the Act, MCL 451.802(b) absent compliance with the registration provisions of the Act.

Failure to comply with this **ORDER** may subject you to a criminal penalty of not more than \$25,000 for each violation, or imprisonment of not more than 10 years, or both.

IV.

NOTICE OF OPPORTUNITY FOR HEARING

Section 408(b) of the MUSA, MCL 451.808, provides:

A person who has been ordered to cease and desist may file with the administrator within **15 days** after service on him or her of the order a written request for a hearing. The administrator within 15 days after the filing shall issue a notice of hearing and set a date for the hearing. If a hearing is not requested by the person or is not ordered by the administrator within 15 days, the order will stand as entered. The administrator shall hold the hearing in accordance with the administrative procedures act of 1969, Act No. 306 of the Public Acts of 1969, as amended, being sections 24.201 to 24.328 of the Michigan Compiled Laws, and shall have all the powers granted thereunder. The administrator shall issue a decision sustaining, modifying, or dismissing the original order.

Should Respondents wish to request a hearing relating to the Chief Deputy Commissioner's Order to Cease and Desist, a hearing must be requested in writing within 15 days of the issuance of this Order. The request for a hearing must be addressed to:

Dawn Kobus, Hearings Coordinator
Office of Financial and Insurance Regulation
Ottawa State Office Building, Third Floor
611 West Ottawa Street
Lansing, Michigan 48933

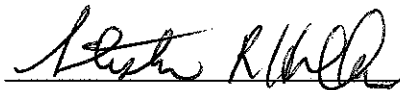
Please be advised that any statements made are voluntary and may be used in any proceeding that may be held. If a hearing is requested, Respondents have the right at its expense

to legal representation at the hearing. A licensed attorney must represent Respondents that are corporations or limited liability companies.

The Commissioner retains the right to pursue further administrative action against the Respondents should the Commissioner determine that such action is necessary and appropriate in the public interest, for the protection of consumers, and consistent with the purposes fairly intended by the policy and provisions of the Act.

Any other communication regarding this Order should be addressed to the Office of Financial and Insurance Regulation, Attention: Tracy Janousek, P.O. Box 30220, Lansing, Michigan 48909, Telephone: (517) 373-7199.

**OFFICE OF FINANCIAL AND
INSURANCE REGULATION**

A handwritten signature in dark ink, appearing to read "Stephen R. Hilker", is written over a horizontal line.

Stephen R. Hilker
Chief Deputy Commissioner